

**CHARACTERISTICS AND SYNCHRONISATION OF REAL
BUSINESS CYCLES IN SELECTED SUB-SAHARAN AFRICAN
COUNTRIES**

BY

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BEING

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DECLARATION

I, AMU Barnabas Imoukhede hereby declare that this dissertation is my original work and that no portion of this work has been or will be submitted in support of an application for another degree or qualification of this or any other Universities or other institution of learning.

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CERTIFICATION

This is to certify that this research work, written by AMU Barnabas Imoukhede was supervised and approved in partial fulfilment of the requirements for the award of Master of Science (M.Sc.) Degree in Economics from the Department of Economics and Development Studies, Covenant University, Ota, Ogun State, Nigeria.

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DEDICATION

I dedicate this research work to the Almighty God, the alpha and the omega, for the grace to complete my M.Sc. programme at Covenant University, Ota, Ogun State, Nigeria.

I would also like to dedicate this work to my beloved parents Mr and Mrs Amu for their love and support throughout my educational pursuit and for always being there for me with kind words and provisions.

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LIST OF ACRONYMS

1. AD - Aggregate Demand

2. AR - Autoregressive Roots
3. B-PVAR - Bayesian Panel Autoregressive
4. CBN - Central Bank of Nigeria
5. GDP - Gross Domestic Product
6. HP Filter - Hodrick-Prescott Filter
7. IMF - International Monetary Fund
8. IRFs - Impulse Response Functions
9. NBS - National Bureau of Statistics
10. NKS - New Keynesian School
11. RBC - Real Business Cycle
12. RE - Rational Expectation
13. SAP - Structural Adjustment Programme
14. SSA - Sub-Saharan Africa
15. SAS - Shortrun Aggregate Supply
16. VD - Variance Decomposition

ABSTRACT

The 2007/2008 global financial crisis and the 2016/2017 economic recession experienced in Nigeria, highlights the need for an extensive business cycle fluctuation research. This study examines business cycle fluctuations in selected Sub-Saharan African (SSA) countries with three major objectives namely, to: establish and characterise business cycles in SSA; observe if a form of business cycle synchronisation exists across SSA countries; measure the impact of some selected real shocks in SSA. To achieve the first objective, the Hodrick-Prescott filter was utilised to establish the existence of business cycles in SSA as well as the cyclical characteristics. The results indicate that business cycles exist in SSA. The cyclical characteristics are also described using the Hodrick-Prescott filter. The pair-wise correlation matrix was utilised in investigating the existence of business cycle synchronisation in SSA. It is discovered that business cycle synchronisation exists in SSA; the degree of synchronisation, however, varies across different countries. The impact of some selected real shocks in SSA was measured using a Bayesian Panel Vector Autoregression model. It was ascertained from the results that real shocks indeed drive business cycles in SSA. The existence of strong procyclicality between Government spending and Real GDP, indicates the strong influence of government spending on macroeconomic fluctuations. Therefore, the study recommends that government and its institutions should carry out a proper fiscal policy plan alongside monetary policy in order to stabilise the economy in recessions and expansions. Furthermore, the study highlights the need for diversification of the export base of most SSA countries from agricultural raw materials to consumer goods.